

**AMENDMENT OFFERED BY MR. STUPAK
TO THE CHILD HEALTH RECONCILIATION
PROVISIONS**

At the end of subtitle F, add the following new chapter:

**1 CHAPTER 2—VOLUNTARY PURCHASING
2 COOPERATIVES**

**3 SEC. 3511. PROGRAM ESTABLISHMENT; ALLOTMENTS; DEFINITION.
4**

5 (a) PROGRAM ESTABLISHMENT.—In order to pro-
6 mote the purpose of section 2101 of the Social Security
7 Act, as added by section 3502 of this subtitle, the Sec-
8 retary of Health and Human Services may establish a pro-
9 gram of grants, in accordance with the provisions of this
10 subtitle, designed to facilitate the development and estab-
11 lishment of single state-based purchasing cooperatives to
12 afford greater access to and lower costs of health benefits
13 for employment-related groups including from one to 50
14 employees.

15 (b) ALLOTMENTS.—

16 (1) IN GENERAL.—Entities in each State that
17 have an applications approved under this chapter for
18 a fiscal year are entitled to payment of a share of
19 the the total amount available for allotments under
20 this subsection for the fiscal year. For entities in a

1 State, the share that they collectively have shall be
2 determined in accordance with a formula established
3 by the Secretary for distribution of the total amount
4 of the allotment among the States.

5 (2) TOTAL AMOUNT AVAILABLE.—The total
6 amount of the allotments available under this sub-
7 section for each of fiscal years 1998 through 2002
8 is \$25,000,000. There are no allotments available
9 for subsequent fiscal years. The amount of funds
10 provided under this chapter are in addition to, and
11 separate from, the funds provided under the Child
12 Health Assistance Program under title XXI of the
13 Social Security Act (as added by section 3502).

14 (c) DEFINITION.—For purposes of this chapter, the
15 term “State” means the fifty States, the District of Co-
16 lumbia, and the Commonwealth of Puerto Rico.

17 **SEC. 3512. GRANT APPLICATIONS.**

18 An entity seeking a grant to conduct a project under
19 this chapter in a State shall (except as provided in section
20 3515)—

21 (1) be (A) a State agency, (B) a non-profit co-
22 operative organization, or (C) a for-profit coopera-
23 tive organization whose profits are shared on a pro-
24 rata basis among cooperative members;

1 (2) submit an application containing the infor-
2 mation and assurances that the Secretary may re-
3 quire (including evidence of compliance with applica-
4 ble requirements the Secretary establishes pursuant
5 to section 3513); and

6 (3) furnish documentation of a determination
7 by the governor of the State that the proposed
8 project is in the best interests of the State.

9 **SEC. 3513. ELIGIBILITY CRITERIA FOR COOPERATIVES.**

10 The Secretary may establish eligibility criteria for co-
11 operatives for grants under this chapter, including criteria
12 designed to ensure that—

13 (1) cooperative members are free from conflicts
14 of interest related to their participation in the coop-
15 erative;

16 (2) the cooperative bears no insurance risk;

17 (3) small employers in the geographic area
18 served by the cooperative are eligible to participate
19 on a first-come, first-served basis;

20 (4) the cooperative does not take into consider-
21 ation the health status of members when selecting
22 participating small employers or developing member-
23 ship criteria;

1 (5) the cooperative offers multiple, competing
2 health insurance plans, including, at the option of
3 the cooperative, individual health insurance plans;

4 (6) operating costs of the cooperative are based
5 on reasonable assessments of members;

6 (7) the cooperative will be financially viable
7 during the grant period and is capable of becoming
8 self-sustaining thereafter; and

9 (8) other criteria that the Secretary considers
10 appropriate.

11 **SEC. 3514. FEHB ALTERNATIVE.**

12 (a) GOVERNORS' OPTION.—As an alternative to ap-
13 proving a grant application under section 3512, the gov-
14 ernor of a State may request (with respect to the entire
15 State or to a geographic region of the State) that the Sec-
16 retary establish a cooperative in coordination with the
17 Federal Employees— Health Benefit Program (FEHB).
18 Such a cooperative shall be a separately-rated group dis-
19 tinct from any group of Federal employees.

20 (b) OPERATION OF ALTERNATIVE PROGRAM.—The
21 Secretary, to the extent the Secretary considers appro-
22 priate, upon a request pursuant to subsection (a) and with
23 the concurrence of the Director of the Office of Personnel
24 Management (referred to in this chapter as the “Direc-
25 tor”), may use funds available under this chapter to estab-

1 lish a cooperative in accordance with the provisions of this
2 chapter in coordination with the FEHB program.

3 (c) POWERS OF FEHB COOPERATIVE.—A coopera-
4 tive established pursuant to this section may—

5 (1) use the name of the FEHB plan in market-
6 ing;

7 (2) require FEHB health plan providers that
8 sell health benefit coverage to purchasers in the pri-
9 vate sector to offer appropriate health benefit cov-
10 erage to the small group market, at prices nego-
11 tiated with the cooperative;

12 (3) request that the Director terminate the par-
13 ticipation of a provider in the FEHB program for
14 failure to comply with requirements imposed pursu-
15 ant to paragraph (2) (and the Director may consider
16 such a failure sufficient grounds for termination);
17 and

18 (4) negotiate with health insurance providers
19 not participating in the FEHB program for provi-
20 sion of health benefit coverage to the small group
21 market.

22 (d) RESTRICTION ON HANDLING PREMIUMS.—A co-
23 operative established under this section shall not collect
24 or disburse health insurance premiums.

1 SEC. 3515. LIMITED PREEMPTION OF CERTAIN STATE
2 LAWS.

3 (a) LAWS AFFECTING COMBINATIONS OF GROUPS
4 SEEKING TO PURCHASE HEALTH INSURANCE.—Any
5 State law that sets restrictions on combinations of groups
6 for the purpose of purchasing health insurance, or pro-
7 hibits groups from combining for that purpose, is pre-
8 empted with respect to a cooperative that meets the re-
9 quirements of this chapter.

10 (b) LAWS AFFECTING PREMIUM RATES.—A State
11 law that imposes premium rate requirements is preempted
12 to the extent that it would prohibit a health plan issuer
13 from offering to a cooperative lower rates reflecting the
14 issuer's administrative cost savings resulting from the size
15 of the cooperative.

16 SEC. 3516. DURATION OF PROJECTS; USE OF GRANT FUNDS.

17 (a) DURATION.—The period of a grant project fund-
18 ed under this chapter shall not exceed 30 months.

19 (b) USE OF GRANT FUNDS.—Funds made available
20 for a grant under this chapter may be used for costs of
21 development, technical assistance, and capitalization, but
22 shall not be used for operating costs after the first six
23 months of operation.

24 SEC. 3517. EFFECTIVE DATES.

25 This chapter takes effect on the date of enactment
26 except for section 3514, which takes effect on the first

- 1 day of the first calendar year that begins more than one
- 2 year after the date of enactment.